

**SOUTHWEST LOUISIANA
INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana**

**Audit of Financial Statements
September 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/23/11

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

I have audited the accompanying statement of financial position of Southwest Louisiana Independence Center, Inc., (a non-profit organization) as of September 30, 2010, and the related statements of activities, cash flows, and functional expenses for the year then ended. These financial statements are the responsibility of management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Southwest Louisiana Independence Center, Inc. as of September 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated February 24, 2011 on my consideration of Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Steven M. Derouen, CPA

Lake Charles, Louisiana
February 24, 2011

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

**Lake Charles, Louisiana
Statement of Financial Position
As of September 30, 2010**

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	\$ 820,688
Grants receivable	186,107
Prepaid expenses	7,483
Other receivables	788
Total Current Assets	<u>1,015,066</u>
PROPERTY AND EQUIPMENT	
Furniture and equipment	258,791
Building and improvements	406,868
Accumulated depreciation	<u>(205,150)</u>
Total Property and Equipment	<u>460,509</u>
OTHER ASSETS	
Deposits	<u>5,032</u>
TOTAL ASSETS	<u><u>\$ 1,480,607</u></u>
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable	\$ 67,645
Accrued payroll and related expenses	160,649
Other accrued expenses	16,622
Current portion of notes payable	<u>5,291</u>
Total Current Liabilities	<u>250,207</u>
LONG TERM LIABILITIES	
Notes payable - net of current portion	<u>182,192</u>
TOTAL LIABILITIES	<u>432,399</u>
NET ASSETS	
Unrestricted	<u>1,048,208</u>
Total Net Assets	<u>1,048,208</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,480,607</u></u>

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.

Lake Charles, Louisiana

Statement of Activities

For The Year Ended September 30, 2010

SUPPORT

Medicaid waiver program	\$ 2,904,379
Federal and state grants	575,200
Special events and other	<u>19,892</u>
Total Support	<u>3,499,471</u>

EXPENSES

Program expenses	3,448,034
Supporting services:	
Management and general	<u>35,791</u>
Total Expenses	<u>3,483,825</u>

CHANGE IN NET ASSETS 15,646

NET ASSETS - BEGINNING OF YEAR 1,032,562

NET ASSETS - END OF YEAR \$ 1,048,208

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Statement of Cash Flows
For The Year Ended September 30, 2010

Cash Flows From Operating Activities	
Change in net assets	\$ 15,646
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation expense	28,253
(Increase) decrease in operating assets:	
Grants receivable	165,759
Prepaid expenses	3,426
Other assets	22,833
Increase (decrease) in operating liabilities:	
Accounts payable	(46,153)
Accrued payroll and related expenses	750
Other accrued expenses	2,457
	<hr/>
Total Adjustments	177,325
	<hr/>
Net Cash Provided (Used) By Operating Activities	192,971
	<hr/>
Cash Flows From Investing Activities	
Purchase of property and equipment	(406,898)
	<hr/>
Net Cash Used By Investing Activities	(406,898)
	<hr/>
Cash Flows From Financing Activities	
Proceeds from loans	191,920
Principal payments on bank loans	(4,437)
	<hr/>
Net Cash Provided (Used) by Financing Activities	187,483
	<hr/>
Net Increase (Decrease) In Cash	(26,444)
	<hr/>
Cash - Beginning of Year	847,132
	<hr/>
Cash - End of Year	<u><u>\$ 820,688</u></u>

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.**Lake Charles, Louisiana****Statement of Functional Expenses****For The Year Ended September 30, 2010**

	Program Services	Supporting Services, Management & General	Total
Advertising	\$ 6,568	\$ -	\$ 6,568
Audit expense	8,650	-	8,650
Bank service charges	6,878	-	6,878
Depreciation	-	28,253	28,253
Education and training	8,839	-	8,839
Housekeeping	6,150	-	6,150
Insurance	113,948	-	113,948
Payroll taxes/fringe expense	324,511	-	324,511
Postage	6,497	-	6,497
Purchased services	25,603	-	25,603
Interpreting services	16,143	-	16,143
Rent	81,909	-	81,909
Repairs and maintenance	11,880	-	11,880
Salaries	2,689,106	-	2,689,106
Supplies	55,168	-	55,168
Travel	25,362	-	25,362
Utilities	41,690	-	41,690
Legal fees	7,441	-	7,441
Interest	-	5,452	5,452
Miscellaneous	11,691	2,086	13,777
Total Program Expenses	<u>\$ 3,448,034</u>	<u>\$ 35,791</u>	<u>\$ 3,483,825</u>

See accompanying notes to the financial statements.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Notes to Financial Statements
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Nature of Activities

Southwest Louisiana Independence Center, Inc. was organized under Section 501 (c)(3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing support services to the physically disabled and their families. A significant portion of the Center's revenues are Medicaid payments received for providing patient care services to Medicaid eligible individuals. The Center also receives grants from the U.S. Department of Education and the State of Louisiana Department of Social Services. The Center is not classified as a private foundation by the Internal Revenue Service.

Income Taxes

The Center is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and from Louisiana income taxes. Therefore, no provision has been made for federal or state income taxes in the accompanying financial statements.

Basis of Accounting

The accompanying financial statements of Southwest Louisiana Independence Center, Inc. have been prepared on the accrual basis of accounting.

Grants, miscellaneous contributions of cash, and other assets are reported as unrestricted support unless donor stipulations are not removed during the fiscal year.

Cash and Cash Equivalents

The Center had bank deposits of \$842,179 at September 30, 2010 and a carrying value of \$820,688, which includes \$500 in petty cash.

For purposes of the statement of cash flows, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

The Center maintains cash balances in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per bank. As of September 30, 2010, the cash balance in one of these financial institutions exceeded the \$250,000 insurance limit by \$548,710.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
September 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment/Depreciation and Amortization

Property and equipment are recorded at their historical cost. Donated assets are recorded at their estimated fair value on the date of the donation. Capital assets are defined as those acquired with an initial individual cost of more than \$250.

Furniture and equipment are being depreciated over estimated useful lives of three to fifteen years. The building is being depreciated over an estimated useful life of thirty-five years. The straight-line method of depreciation is being utilized. Depreciation expense was \$28,253 for the year ended September 30, 2010.

Compensated Absences

The Center has a contingent liability in the amount of \$16,381 at September 30, 2010 for unused vacation and earned time off. Sick leave is not vested, therefore no accrual is reflected in the financial statements.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$6,568 for the year ended September 30, 2010.

NOTE 2 - PROPERTY AND EQUIPMENT

The following is a summary of furniture and equipment as of September 30, 2010:

Furniture, Equipment & Building, October 1, 2009	\$ 258,761
Additions for the Year Ended September 30, 2010	406,898
Disposals for the Year Ended September 30, 2010	<u>-0-</u>
Furniture, Equipment & Building, September 30, 2010	<u>\$ 665,659</u>
Accumulated Depreciation, October 1, 2009	\$ 176,897
Depreciation for the Year Ended September 30, 2010	28,253
Less Depreciation on Disposed Assets for the Year Ended September 30, 2010	<u>-0-</u>
Accumulated Depreciation, September 30, 2010	<u>\$ 205,150</u>
Net Book Value, September 30, 2010	<u>\$ 460,509</u>

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
September 30, 2010

NOTE 3 - GRANTS RECEIVABLE

Grants receivable at September 30, 2010 consisted of reimbursements for expenses incurred in the following programs:

<u>Program</u>	<u>Amount</u>
Title VII-C	\$ 33,342
Telecommunications Device Distribution	12,510
State Personal Care Attendant Contract	7,128
State Independent Living Contract	8,698
Elderly Disabled Adults	87,631
SLIC Interpreting	7,758
Family Support Services	1,162
Children's Choice	686
Long Term Personal Care Services	<u>27,192</u>
Total Receivable	<u>\$ 186,107</u>

NOTE 4 - OPERATING LEASE

The Center currently leases office space for the Lafayette and Leesville offices. The current lease agreement for the Lafayette site is a 12 month lease with a monthly fee of \$2,373. The current lease agreement for the Leesville site is for a twelve month period with a monthly fee of \$850. Total rent expense reflected in these financial statements for the year ended September 30, 2010 was \$81,909.

The following is a schedule of future minimum rentals under lease for the year ending September 30:

2011	\$28,476
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NOTE 5 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability. Management is not aware of any disallowed costs as of September 30, 2010.

NOTE 6 - RISK MANAGEMENT

The Center has purchased commercial insurance for its general liability and worker's compensation insurance. They have not retained any risk with relation to these activities.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
September 30, 2010

NOTE 7 - ECONOMIC DEPENDENCY

The Center receives the majority of its revenue from funds provided by state and federal grants as well as through a contract for patient care services provided to Medicaid eligible individuals. If significant budget cuts are made at the federal and/or state level or the Medicaid contract is not renewed, the amount of funds the Center receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Center will receive in the next fiscal year.

NOTE 8 - RETIREMENT PLAN

The Center participates in a SIMPLE IRA retirement plan for the benefit of its employees. The plan allows employees who anticipate earning more than \$5,000 in the current year to participate and allows them to contribute a percentage of their pay or a flat dollar amount up to a maximum annual contribution of \$10,500. The plan requires employer-matching contributions on a dollar-for-dollar basis up to 3% of each employee's compensation. The employer may elect, upon advance notice to the employees, to make a maximum match of less than 3% but not less than 1% of employee's compensation; however, this election can only be made during two out of any consecutive five year period. Employer matching contributions for the fiscal year ended September 30, 2010 was \$10,502.

NOTE 9 - SUBSEQUENT EVENT

In May 2009, the Financial Accounting Standards Board issued Statement 165, Subsequent Events, to incorporate the accounting and disclosure requirements for subsequent events into U.S. generally accepted accounting principles. Statement 165 introduces new terminology, defines a date through which management must evaluate subsequent events or transactions occurring after the balance sheet date. The Center adopted statement 165 as of June 30, 2009, which was the required effective date.

The Center evaluated its September 30, 2010 financial statements for subsequent events through February 24, 2011, the date the financial statements were available to be issued. The Center paid off the bank note payable (further described in Note 10) in January 2011.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Notes to Financial Statements (Continued)
September 30, 2010

NOTE 10 - NOTES PAYABLE

Notes payable as of September 30, 2010 consisted of the following:

Bank note payable, due in 59 equal monthly installments of \$1,412.67, and one final payment of \$165,251.78 to be paid February 18, 2015, including interest at 6.25%, collateralized by real estate with a carrying value of \$406,868.	<u>\$ 187,483</u>
Total debt	187,483
Less current portion	<u>5,291</u>
Long-term debt	<u><u>\$ 182,192</u></u>

Maturities of debt are as follows:

<u>September 30:</u>	<u>Amount</u>
2011	\$ 5,291
2012	5,631
2013	5,993
2014	6,378
2015	<u>164,190</u>
Total	<u><u>\$ 187,483</u></u>

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
Lake Charles, Louisiana
Summary of Independent Auditors' Results
September 30, 2010

Financial Statements

Type of auditor's report issued			Unqualified
Internal control over financial reporting:			
Material weaknesses identified?	<u> x </u>	Yes	<u> </u> No
Significant deficiency identified not considered to be material weaknesses?	<u> x </u>	Yes	<u> </u> None reported
Noncompliance material to financial statements noted?	<u> </u>	Yes	<u> x </u> No

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Southwest Louisiana Independence Center, Inc.
Lake Charles, Louisiana

I have audited the financial statements of Southwest Louisiana Independence Center, Inc. (a nonprofit organization) as of and for the year ended September 30, 2010, and have issued my report thereon dated February 24, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit I considered Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southwest Louisiana Independence Center, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Center's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected on a timely basis. I consider Item 2010-02 on the Schedule of Compliance and Internal Control to be a material weakness.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider Item 2010-01 on the Schedule of Compliance and Internal Control to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether financial statements of Southwest Louisiana Independence Center, Inc. are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Southwest Louisiana Independence Center, Inc.'s response to the findings identified in my audit is described in the accompanying Schedule of Compliance and Internal Control over financial reporting. I did not audit Southwest Louisiana Independence Center, Inc.'s responses and, accordingly, I express no opinion on them.

This report is intended solely for the information of the management of Southwest Louisiana Independence Center, Inc., the Legislative Auditor of the State of Louisiana, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Steven M. DeRamus, CPA

Lake Charles, Louisiana
February 24, 2011

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
SCHEDULE OF COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I INTERNAL CONTROL FINDINGS – GOVERNMENTAL AUDITING STANDARDS (ICG)

(ICG-10-1) Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the Center. We did note that management and the board of directors have taken steps to perform independent review of the items processed through the accounting system and strengthen its internal controls.

Cause: Due to the size of the staff, it is not always feasible to segregate duties.

Effect: The possibility of unauthorized transactions being processed exists.

Recommendation: We recommend that the Center's management and board continue to perform independent review of the items processed through the accounting system in order to strengthen its internal controls.

Management Response: SLIC's management and board of directors shall continue to perform independent review of items processed through the accounting system in order to strengthen its internal controls.

(ICG-10-2) Financial Statement Reporting

The Center relies on the auditing firm to prepare the external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Center's internal control structure and because of the limitations of the accounting staff, the design of the Center's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.

SOUTHWEST LOUISIANA INDEPENDENCE CENTER, INC.
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

I INTERNAL CONTROL FINDINGS – GOVERNMENTAL AUDITING STANDARDS (ICG)

(ICG-09-1) Lack of Segregation of Duties

Finding: There appears to be a lack of segregation of duties with respect to the accounting functions of the Center. We did note that management and the board of directors have taken steps to perform independent review of the items processed through the accounting system and strengthen its internal controls.

Cause: Due to the size of the staff, it is not always feasible to segregate duties.

Effect: The possibility of unauthorized transactions being processed exists.

Recommendations: We recommend that the Center's management and board continue to perform independent review of the items processed through the accounting system in order to strengthen its internal controls.

Management Response: SLIC management and board of directors shall continue to perform independent review of items processed through the accounting system in order to strengthen its internal controls.

(ICG-09-2) Financial Statement Reporting

The Center relies on the auditing firm to prepare the external financial statements and related disclosures. Under U. S. generally accepted auditing standards, the auditing firm cannot be considered part of the Center's internal control structure and because of the limitations of the accounting staff, the design of the Center's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Management has considered this weakness and determined that it would not be cost effective at this time to employ or contract the appropriate personnel to remove this deficiency.